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Why do you think that is so? Which form is dominant in terms of total profits? What major advantages of this form of business organization gave rise to its dominance? The three legal forms of business organizations are: sole proprietorship, partnership, and corporation. Proprietorships are the most prevalent. They are easy to start (relatively low costs often don’t require a large customer base to be profitable, and provide maximum freedom for the proprietor to do what she/he thinks best. Corporations are dominant in terms of total profits.

They can access large amounts of money by issuing stocks and bonds; their limited liability is attractive to potential owners; their size and broader ownership base help ensure continuity that helps to build a large customer base and gain cost advantages (a preview for economies of scale). 4-9 (Key Question) What are the two characteristics of public goods? Explain the significance of each for public provision as opposed to private provision. What is the free-rider problem as it relates to public goods? Is U. S. Border patrol a public good or a private good?

Why? How about satellite TV? Explain. Public goods are manorial (one person’s consumption does not prevent consumption by another) and incalculable (once the goods are produced nobody?? including free riders?? can be excluded from the goods’ benefits). If goods are normal, there Is less Incentive for private firms to produce them – those purchasing the good could simply allow others the use without compensation. Similarly, if goods are incalculable, private firms are unlikely to produce them as the potential for profit is low.

The free-rider problem occurs when people benefit from the public good without contributing to the cost (tax revenue proportionate to the benefit received). The U. S. Border patrol Is a public good – my use and benefit does not prevent yours. Satellite TV Is a private good – If the dish, receiver, and service go to my residence it can’t go to my neighbors. The fact that I could invite my neighbor over to watch does not change its status from being a private good. 4-10 (Key Question) Draw a production possibilities curve with public goods on the vertical axis ND private goods on the horizontal axis.